



THE DETERMINANTS THAT AFFECT THE PROFITABILITY OF
INTERNATIONAL ISLAMIC BANKING IN MALAYSIA

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MALACCA

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DECLARATION OF ORIGINAL WORK



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“DECLARATION OF ORIGINAL WORK”

I, NUR AFIZAH BINTI AMRAN, (I/C NUMBER: 890508-05-5078)

Hereby, declare that,

- This work has not previously been accepted in substance for any degree, locally or overseas and it not being concurrently submitted for this degree or any other degrees.
- This project paper is the result of my independent work and investigation, except where otherwise states
- All verbatim extract have been distinguished by quotation marks and sources of my information have been specifically acknowledged

Signature: _____

Date: _____

LETTER OF SUBMISSION

20 May 2011

The Head of Program

Bachelor of Business Administration (Hons) Finance

Faculty of Business Management

Universiti Teknologi MARA

Malacca City Campus

Dear Sir,

SUBMISSION OF PROJECT PAPER

Attached is the project paper titled “THE DETERMINANTS THAT AFFECT THE PROFITABILITY OF INTERNATIONAL ISLAMIC BANKING IN MALAYSIA” to fulfill the requirement as needed by the Faculty of Business Management, Universiti Teknologi MARA

Thank You.

Yours sincerely,

NUR AFIZAH BINTI AMRAN

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ABSTRACT

The paper analyzes how internal and external variables affect the profitability of International Islamic banks in Malaysia. The profitability calculated by using Rate of Return on Asset (ROA). Utilizing bank level data, the study examines the profitability indicators of International Islamic bank in Malaysia for every quarter during year 2007 until 2009. This research used Al-Rajhi Bank as a sample since Al-Rajhi Bank is the most profitable among other Foreign Islamic Bank during a year 2009 in Malaysia. A variety of internal and external indicators were used to predict profitability and efficiency. The researcher used Inflation and Gross Domestic Product (GDP) in Malaysia as the external variables meanwhile internal variables consist of Overhead Cost and Risk-Weighted Capital Ratio (RWCR). The result shows that only GDP have strong positive relationship with International Islamic Bank profit in Malaysia. Surprisingly, the result indicate that no significance relationship between International Islamic Bank profit with inflation rate, overhead cost and RWCR.